

FILED

MAR 10 2015

**BEFORE THE BOARD OF OIL, GAS AND MINING
DEPARTMENT OF NATURAL RESOURCES
STATE OF UTAH**

**SECRETARY, BOARD OF
OIL, GAS & MINING**

IN THE MATTER OF THE REQUEST FOR AGENCY ACTION OF QEP ENERGY COMPANY FOR AN ORDER EXTENDING THE BOARD'S ORDER ENTERED IN CAUSE NO. 191-06, WHICH SUSPENDED THE APPLICATION OF UTAH ADMIN. CODE R649-3-2, R649-3-10, AND R649-3-11(1) AND (2) FOR THE AREA LOCATED WITHIN THE OURAY PARK II FEDERAL EXPLORATORY UNIT, TO THE LANDS ADDED THROUGH EXPANSION OF THE UNIT, CONSISTING OF ALL OF SECTION 1, THE NE $\frac{1}{4}$ NE $\frac{1}{4}$ OF SECTION 11, AND THE E $\frac{1}{2}$, NW $\frac{1}{4}$, AND THE NE $\frac{1}{4}$ SW $\frac{1}{4}$ OF SECTION 12, TOWNSHIP 7 SOUTH, RANGE 20 EAST, SLM, UTAH COUNTY, UTAH.

**REQUEST FOR
AGENCY ACTION**

Docket No. 2015-015

Cause No. 191-07

On December 5, 2014, the Utah Board of Oil, Gas and Mining issued the Findings of Fact, Conclusions of Law, and Order in Cause No. 191-06, suspending the application of Utah Admin. Code R649-3-2, R649-3-10, and R649-3-11(1) and (2) for the Ouray Park II Federal Exploratory Unit (the "OP II Unit"). Effective January 1, 2015, the OP II Unit was expanded to include additional lands located in Uintah County.

QEP Energy Company ("QEP"), by and through its attorneys, Holland & Hart LLP, pursuant to Utah Code Ann. §§ 40-6-5(3)(b) and Utah Admin. Code R649-2-1 and R649-2-3, hereby requests the Board to enter an order extending its previous order in Cause No. 191-06 to suspend the application of Utah Admin. Code R649-3-2, R649-3-10, and R649-3-11(1) and (2) for the area located within the expansion of the OP II Unit, covering the following lands:

Township 7 South, Range 20 East, SLM

Section 1: Lots 1-4, S $\frac{1}{2}$ N $\frac{1}{2}$, S $\frac{1}{2}$ [All]

Section 11: NE $\frac{1}{4}$ NE $\frac{1}{4}$

Section 12: E $\frac{1}{2}$, NW $\frac{1}{4}$, NE $\frac{1}{4}$ SW $\frac{1}{4}$

(containing 1,201.28 acres, more or less)

In support of its Request for Agency Action (the "Request"), QEP respectfully states and represents that:

1. QEP is a Texas Corporation in good standing, with its principal place of business in Denver, Colorado. QEP is qualified to do business in Utah and is fully and appropriately bonded with all Federal and State of Utah agencies.

2. The Board has jurisdiction over the parties and of the subject matter of this Request pursuant to Utah Code Ann. § 40-6-1, *et seq.*

3. The oil and gas underlying the subject lands is owned by the United States of America and leased under federal lease UTU-88140. QEP owns a majority of the working interest in this lease.

4. The OP II Unit (UTU-90211X) was approved on June 2, 2014, and was expanded effective January 1, 2015, to include all of the subject lands, consisting of 1,201.28 acres, more or less. The unit is administered by the United States Bureau of Land Management ("BLM"), and QEP serves as the Unit Operator. There are no uncommitted tracts within the Unit. According to Section 16 of the OP II Unit Agreement, all operations must be conducted in a manner that will promote conservation and prevent waste.

5. Well location and density patterns within the OP II Unit are determined by the OP II Unit Agreement and the annual plan of development and operation, which are approved by the BLM. An application for permit to drill in the OP II Unit must be approved by the BLM and the Utah Division of Oil, Gas and Mining.

6. The subject lands are not covered by any spacing order of the Board and are, therefore, subject to the general statewide siting and location rule in Utah Admin. Code R649-3-2 and directional drilling rules in Utah Admin. Code R649-3-10 and R649-3-11. Under these rules, each well is to be located within a 400-foot “window” in the center of each 40-acre governmental quarter-quarter section, or substantially equivalent lot or tract, and no well may be located closer than 920 feet from an existing well drilled to or capable of producing oil and gas from the same pool. The default siting and location rules allow an approximate 40-acre well density pattern.

7. Based on a proposed 40-acre density pattern, there is potential for a total of 28 additional wells within the expansion of the OP II Unit. Of these proposed locations, approximately 10 of the wells would require that an exception location approval be obtained pursuant to Utah Admin. Code R649-3-3 because the wells cannot be located within the allowed “window” due to either topographical conditions or because the surface location would conflict with existing surface uses such as irrigation works or agricultural uses.

8. In order to allow the greatest flexibility for orderly development and to account for surface and geologic conditions, as well as for the foregoing considerations, QEP is requesting the Board extend its prior order in Cause No. 191-06 and suspend Utah Admin. Code

R649-3-2, R649-3-10, and R649-3-11 to cover the expansion of the OP II Unit, provided however, to ensure protection of the correlative rights of owners surrounding the Subject lands, QEP agrees that:

(a) The producing interval of any future wells will not be located closer than 460 feet from the OP II Unit boundary without obtaining an exception location from the Division in accordance with Utah Admin. Code R649-3-3;

(b) No well may be directionally drilled on the Subject lands if any portion of the producing wellbore will be closer than 460 feet to the OP II Unit boundary without complying with Utah Admin. Code R649-3-3 and R649-3-11(1) and (2);

(c) QEP or its successor as unit operator of the OP II Unit agrees to provide (1) a plat or sketch showing the distance to lease boundaries and the target location with any application for permit to drill filed for a directionally drilled well and (2) a copy of the annual plan of development and operation for the OP II Unit; and

(d) The requested suspension of these rules will remain in effect only for as long as the Subject lands are committed to the OP II Unit.

9. QEP believes that the requested order and the development in accordance with the OP II Unit Agreement and the annual plan of development and operations will allow for orderly development, will prevent waste, will adequately protect the correlative rights of all affected parties, and is just and reasonable.

10. QEP is filing, concurrent with the filing of this Request, a separate certificate of mailing which lists all persons known to QEP whose legally protected interests in the Subject lands will be affected by this Request, together with their last known addresses. Said list contains the names and addresses of known mineral owner (lessor), overriding royalty or other production interest owners, working interest owner (lessee) and active producers and operators, if any. There are no respondents or adverse parties known at this time to QEP.

WHEREFORE, QEP respectfully requests that:

1. This Request be set for hearing at the regularly scheduled meeting of the Board on April 22, 2015.

2. Due notice of such hearing be given as provided by law.

3. Following said hearing, the Board enter an order:

(a) Extending its Order in Cause No. 191-06 and suspend Utah Admin. Code R649-3-2, R649-3-10, and R649-3-11(1) and (2) for the subject lands;

(b) Providing that the producing interval in any future well may not be located closer than 460 feet to the boundaries of the OP II Unit without obtaining an exception location from the Division pursuant to Utah Admin. Code R649-3-3;

(c) Providing that no well may be directionally drilled if any producing portion of the 460 foot radius along the projected wellbore intersects with the boundaries of the OP II Unit without complying with the requirements of Utah Admin. Code R649-3-11;

(d) Providing that QEP or its successor as unit operator of the OP II Unit agrees to provide (1) a plat or sketch showing the distance to lease boundaries and the target location with any application for permit to drill filed for a directionally drilled well and (2) a copy of the annual plan of development and operation for the OP II Unit;

(d) Providing the requested suspension of these rules will remain in effect only for as long as the subject lands are committed to the OP II Unit;

(e) Making such findings and orders in connection with this Request as it deems necessary; and

(f) Providing for such other and further relief as may be just and equitable under the circumstances.

Respectfully submitted this 10th day of March, 2015.

QEP ENERGY COMPANY

By



Mark L. Burghardt

William E. Ward

HOLLAND & HART, LLP

222 South Main Street, Suite 2200

Salt Lake City, UT 84101

Telephone: (801) 799-5800

Attorneys for Petitioner, QEP Energy Company

Address of QEP:

QEP Energy Company

Attention: Theresa Chatman

1050 17th Street, Suite 500

Denver, CO 80265

Telephone: (303) 640-4210

7600912_1